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HUMAN CAPITAL

OPM Can Better Assist Agencies in Using Personnel Flexibilities



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-03-428](#), a report to Congressional Requesters

Why GAO Did This Study

Congressional requesters asked GAO to provide information on actions that the Office of Personnel Management (OPM) has taken to facilitate the effective use of human capital flexibilities throughout the federal government and what additional actions OPM might take in this regard. These flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce.

What GAO Recommends

To better facilitate the effective use of human capital flexibilities throughout the federal government and consistent with OPM's ongoing efforts in this regard, GAO recommends that the Director of OPM

- review existing OPM regulations and guidance to determine whether they provide agencies with needed flexibility,
- more thoroughly research, compile, and analyze information on the effective and innovative use of flexibilities, and
- identify and build consensus for legislation to authorize new flexibilities that would help agencies better manage their human capital.

OPM commented on a draft of this report and agreed with the conclusions and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-428.

To view the full report, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

HUMAN CAPITAL

OPM Can Better Assist Agencies in Using Personnel Flexibilities

What GAO Found

OPM Has Taken Several Actions to Assist Agencies

OPM has an important leadership role in identifying, developing, applying, and overseeing human capital flexibilities across the federal government. OPM has taken several actions to assist federal agencies in effectively using the human capital flexibilities that are currently available to agencies. For example, OPM has issued a handbook for agencies that identifies the various flexibilities available to help manage their human capital. Also, OPM has taken various actions to assist agencies in identifying additional flexibilities that might be helpful to agencies in managing their workforces.

Human Resources Directors Gave Mixed Views on OPM's Role

To yield indications of the progress that OPM has made in its important role related to assisting agencies in the use of human capital flexibilities, GAO surveyed the human resources directors of the federal government's 24 largest departments and agencies in fall of 2001 and again in the fall of 2002. There was little change in the directors' level of satisfaction with OPM's role in assisting agencies in using available flexibilities, which remained mixed. For example, one director said OPM had effectively facilitated the use of work-life flexibilities, but others thought that OPM had placed its own restrictive interpretation on the use of other personnel flexibilities. The level of satisfaction with OPM's role in identifying additional flexibilities was greater in 2002 than in 2001, but still remained below the satisfaction level for assistance with existing flexibilities. Several directors said that OPM had not worked diligently enough in supporting authorization of governmentwide use of new flexibilities that have been sufficiently tested and deemed successful.

Additional OPM Actions Could Further Facilitate Use of Flexibilities

Although OPM has recently taken numerous actions, OPM could more fully meet its leadership role to assist agencies in identifying, developing, and applying human capital flexibilities across the federal government. In its ongoing internal review of its existing regulations and guidance, OPM could more directly focus on determining the continued relevance and utility of its regulations and guidance by asking whether they provide the flexibility that agencies need in managing their workforces while also incorporating protections for employees. In addition, OPM can maximize its efforts to make human capital flexibilities and effective practices more widely known to agencies by compiling, analyzing, and sharing information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs. OPM also needs to more vigorously identify new flexibilities that would help agencies better manage their human capital and then work to build consensus for the legislative action needed.

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Abbreviations

CHCO	chief human capital officer
DOJ	Department of Justice
NAPA	National Academy of Public Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management

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United States General Accounting Office
Washington, D.C. 20548

May 9, 2003

The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Daniel K. Akaka
Ranking Minority Member
Subcommittee on Financial Management, the
Budget and International Security
Committee on Governmental Affairs
United States Senate

The Honorable George V. Voinovich
Chairman
The Honorable Richard J. Durbin
Ranking Minority Member
Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia
Committee on Governmental Affairs
United States Senate

The Honorable Thad Cochran
United States Senate

To deal with the challenges that federal agencies are experiencing in acquiring and retaining staff to meet current and expected needs, agencies need effective human capital flexibilities—with appropriate safeguards—to assist them. In broad terms, human capital flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce to accomplish its mission and achieve its goals. These flexibilities can include actions related to recruitment, retention, compensation, position classification, incentive awards and recognition, training and development, performance management and appraisals, realignment and reorganization, and work arrangements and work-life policies. The tailored use of such flexibilities for acquiring, developing, and

retaining talent is an important cornerstone of our model of strategic human capital management.¹

As the federal government's human capital agency, the Office of Personnel Management (OPM) has an important leadership role in identifying, developing, and applying human capital flexibilities across the federal government. Given the importance of OPM's role, you asked us to provide information on the actions that OPM has taken to facilitate the effective use of human capital flexibilities throughout the federal government and what additional actions OPM might take in this regard. This report is the second of two reports responding to your request for information on the use of human capital flexibilities in the federal government. In December 2002, we reported on (1) the key practices that agencies should implement for effective use of human capital flexibilities and (2) agency and union officials' views related to the use of human capital flexibilities.² In addition to the above addressees, both reports were also done at the request of the Honorable Fred Thompson, former ranking minority member of the Senate Committee on Governmental Affairs.

To address the issue of OPM's role in facilitating agencies' use of human capital flexibilities, we reviewed relevant reports and interviewed cognizant officials from OPM, the Merit Systems Protection Board, and the National Academy of Public Administration (NAPA). We also interviewed the individuals serving in the positions of human resources directors for the federal government's 24 largest departments and agencies. We surveyed these 24 human resources directors in the fall of 2001 and surveyed the individuals in these positions again in the fall of 2002. In addition, we reviewed previous GAO reports on a broad range of human capital issues. We conducted our work in accordance with generally accepted government auditing standards. (See app. I for additional information on our objectives, scope, and methodology.)

Results in Brief

OPM recognizes its important leadership role in assisting federal agencies in identifying, developing, and applying human capital flexibilities across

¹U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002).

²U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, [GAO-03-2](#) (Washington, D.C.: Dec. 6, 2002).

the federal government. As noted in its most recent strategic plan, OPM's strategy in fulfilling its mission is to provide human resources management leadership and services for all agencies in a manner that blends and balances flexibility and consistency. OPM seeks to maintain consistency in the federal government's human resources management systems for areas such as merit principles and accountability, while at the same time assist agencies to facilitate the effective use of available human capital flexibilities, as well as to identify and develop additional human capital flexibilities that could be authorized to help agencies manage their workforces.

OPM has several initiatives underway to assist federal agencies in effectively using the human capital flexibilities that are currently available to agencies. For example, OPM has issued a handbook³ for agencies that identifies the various flexibilities available to help manage human capital and has several initiatives under way to address key personnel challenges in the area of hiring. OPM has also developed information on lessons learned for using human capital flexibilities and implementing change to improve federal human resources management. OPM has also committed the assistance of its various internal experts to serve as liaisons with agencies and to provide expedited services when needed, including assistance in the implementation of human capital flexibilities. Furthermore, OPM has reorganized its structure with the expectation that it will be able to better serve and respond to requests from agency customers and help ensure that all levels within OPM are supportive of agencies' efforts to use flexibilities.⁴

OPM has also taken some actions to identify legislative options for additional flexibilities that might be helpful to agencies in managing their workforces. For example, OPM has suggested the broader application through legislation of various personnel flexibilities that have been tested and evaluated through pilot projects and alternative personnel systems over the past two decades. Also, OPM has been recently more active in supporting the passage of proposed legislation that would enhance the

³U.S. Office of Personnel Management, *Human Resources Flexibilities and Authorities in the Federal Government* (Washington, D.C.: Updated July 25, 2001).

⁴For additional information on OPM's restructuring efforts see our report: *Major Management Challenges and Program Risks: Office of Personnel Management* (GAO-03-115, January 2003).

human capital flexibilities already available, including the governmentwide provisions in the Homeland Security Act of 2002.⁵

The views of human resources directors from across the federal government yield revealing indications of the progress that OPM has made in its important role related to assisting agencies in the use of human capital flexibilities. The human resources directors we surveyed in the fall of 2001 and again in the fall of 2002 gave mixed views on their satisfaction with OPM's role in assisting agencies in using available flexibilities. One director we interviewed, for example, praised OPM for the positive actions it had taken in facilitating work-life programs for federal employees. On the other hand, several directors noted, for instance, that OPM often has placed its own restrictive interpretation on the use of personnel flexibilities, surrounding them with too many regulations that make the use of such flexibilities extremely complicated and more difficult than needed.

The human resources directors were generally less satisfied with OPM's role in identifying additional flexibilities that could be authorized for agencies to use in managing their workforces, although the level of satisfaction was greater in 2002 than in 2001. Several directors we interviewed said, for example, that although OPM had actively listened to agency officials' views about their various needs for additional flexibilities, OPM had not worked diligently enough in supporting efforts to bring about governmentwide authorization and implementation of innovative human capital practices and flexibilities that have been sufficiently tested and deemed successful.

Although OPM has recently taken numerous actions, OPM could take additional steps to assist agencies in identifying, developing, applying, and overseeing human capital flexibilities across the federal government. As part of its ongoing internal review of its existing regulations and guidance, OPM has focused chiefly on reviewing the clarity and readability of its regulations and guidance. OPM could more directly focus on determining the continued relevance and utility of its regulations and guidance by asking whether they provide the flexibility that agencies need in managing their workforces while also incorporating protections for employees. In addition, OPM could enhance its efforts to make human capital flexibilities and effective practices more widely known to agencies. Although OPM has made efforts to inform agencies of what flexibilities are generally available

⁵Pub. L. No. 107-296, Nov. 25, 2002.

and why their use is important, OPM has yet to take full advantage of its ability to compile, analyze, and share information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs. It is also important for OPM to oversee the use of personnel flexibilities to ensure not only that the use of flexibilities are being maximized, but also, along with agencies, ensuring that flexibilities are being used consistent with the merit principles and other national goals and include appropriate safeguards. Finally, OPM could play a critical role in identifying and building a consensus for new flexibilities that would help agencies better manage their human capital.

These additional OPM actions are consistent with OPM's overall goal of aiding federal agencies in adopting human resources management systems that improve their ability to build successful, high-performance organizations. Because this role is critical to improved governmentwide strategic human capital management, this report contains recommendations to the Director of OPM for the more effective use of existing human capital flexibilities and for the identification of additional human capital flexibilities that might be needed within the federal government.

OPM commented on a draft of this report and agreed with the conclusions and recommendations. OPM pointed out that in future studies that address OPM leadership issues, in addition to surveying agency human resource directors, we should also survey agency chief operating officers. OPM believed that the chief operating officers have the "best perspective and the widest array of information about recruitment and retention issues." We agree that such future studies would benefit from the perspectives of chief operating officers. OPM's complete comments are shown in appendix II.

Background

In serving as the federal government's human capital agency, OPM sees its role to be the President's strategic advisor on human capital issues, to develop tools and provide support to agencies in their human capital transformation efforts, and to assist in making the federal government a high-performing workplace. As such, OPM, in conjunction with the Office of Management and Budget (OMB), is charged with leading the federal government's strategic management of human capital initiative, one of five

governmentwide initiatives of the President's Management Agenda.⁶ In carrying out this effort, OPM's strategy is to provide human resources management leadership and services to all agencies in a manner that blends and balances flexibility and consistency. As we noted in our recent report on OPM's management challenges, OPM carries out its leadership role in a decentralized environment where both it and the agencies have shared responsibilities for addressing the human capital and related challenges facing the federal government.⁷

OPM's role in aiding federal agencies represents a considerable challenge because federal managers have complained for years about the rigid and elaborate procedures required for federal personnel administration and have often expressed the need for more flexibility within a system that has traditionally been based on uniform rules. Reformers have long sought to decentralize the personnel system and simplify the rules, arguing that however well the system may have operated in the past, it is no longer suited to meet the needs of a changing and competitive world. In 1983, for example, NAPA published a report critical of excessive restrictions on federal managers, including constraints on their human resources decisions.⁸ In response to these criticisms, OPM has, over time, decentralized and delegated many personnel decisions to the agencies and has encouraged agencies to use human capital flexibilities to help tailor their personnel approaches to accomplish their unique missions. Our strategic human capital management model also advocates that agencies craft a tailored approach to their use of available flexibilities by drawing on those flexibilities that are appropriate for their particular organizations and their mission accomplishment.⁹ Because of this tailoring, the federal personnel system is becoming more varied, notwithstanding its often-cited characterization as a "single employer."

⁶The President's Management Agenda includes five governmentwide initiatives: the strategic management of human capital, competitive sourcing, improved financial performance, budget and performance integration, and expanded electronic government.

⁷U.S. General Accounting Office, *Major Management Challenges and Program Risks: Office of Personnel Management*, [GAO-03-115](#) (Washington, D.C.: January 2003).

⁸National Academy of Public Administration, *Revitalizing Federal Management: Managers and Their Overburdened Systems* (Washington, D.C.: 1983).

⁹[GAO-02-373SP](#).

The overall trend toward increased flexibility has revealed itself in a number of ways, including the efforts of some agencies to seek congressional approval to deviate from the personnel provisions of Title 5 of the U.S. Code that have traditionally governed much of the federal government's civil service system.¹⁰ As observed in a 1998 OPM report,¹¹ federal agencies' status relative to these Title 5 personnel requirements can be better understood by thinking of them on a continuum. On one end of the continuum are federal agencies that generally must follow Title 5 personnel requirements. These agencies do not have the authority, for example, to establish their own pay systems. On the other end of the continuum are federal agencies that have more flexibility in that they are exempt from many Title 5 personnel requirements. For example, the Congress provided the Tennessee Valley Authority and the Federal Reserve Board with broad authority to set up their own personnel systems and procedures. This trend toward greater flexibility, in fact, has gained momentum to the extent that about half of federal civilian employees are now exempt from at least some of the personnel-related requirements of Title 5. For example, the Federal Aviation Administration, the Internal Revenue Service, and the new Department of Homeland Security have exemption from key Title 5 requirements.

In addition to receiving congressional authorizations for exemptions from the personnel-related requirements of Title 5, other mechanisms are available to initiate human capital innovations and flexibilities within federal agencies. OPM has the authority to reassess and make changes to its existing regulations and guidance to supply agencies with additional flexibilities. Additionally, a federal agency can obtain authority from OPM to waive some existing federal human resources laws or regulations through an OPM-sponsored personnel demonstration project. The aim of these demonstration projects is to encourage experimentation in human resources management by allowing federal agencies to propose, develop, test, and evaluate changes to their own personnel systems. In some cases, Congress has allowed some agencies to implement alternatives that have

¹⁰Title 5 laws (or requirements) refer to those personnel management laws, procedures, and associated functions generally applicable to federal employees. Most federal personnel laws governing topics such as classification, appointment, pay and benefits, and adverse action are contained in Title 5. Title 5 also contains laws unrelated to federal personnel issues, such as the Administrative Procedure Act and the Freedom of Information Act, that are also applicable to federal agencies.

¹¹U.S. Office of Personnel Management, *HRM Policies and Practices in Title 5-Exempt Organizations* (Washington, D.C.: August 1998).

been tested and deemed successful. For example, more flexible pay approaches that were tested within the Department of the Navy's China Lake (California) demonstration project in the early 1980s were eventually adopted by other federal agencies such as the Department of Commerce's National Institute of Standards and Technology.

In December 2002, we reported on agency officials' and union representatives' views regarding various issues related to flexibilities. According to the agency officials and union representatives we interviewed, existing flexibilities that are most effective in managing the workforce are work-life policies and programs, such as alternative and flexible work schedules, transit subsidies, and child care assistance; monetary recruitment and retention incentives, such as recruitment bonuses and retention allowances; special hiring authorities, such as student employment and outstanding scholar programs; and incentive awards for notable job performance and contributions, such as cash and time-off awards. Agency and union officials also identified five categories of additional human capital flexibilities as most helpful if authorized for their agencies: (1) more flexible pay approaches, (2) greater flexibility to streamline and improve the federal hiring process, (3) increased flexibility in addressing employees' poor job performance, (4) additional workforce restructuring options, and (5) expanded flexibility in acquiring and retaining temporary employees. Furthermore, we reported that the agency managers and supervisors and human resources officials we interviewed generally agreed that additional human capital flexibilities could be authorized and implemented in their agencies while also ensuring protection of employees' rights. Union representatives, however, expressed mixed views on the ability of agencies to protect employee rights with the authorization and implementation of additional flexibilities. Specifically, several union representatives said that managers could more easily abuse their authority when implementing additional flexibilities, and that agency leaders often do not take appropriate actions in dealing with abusive managers.

Based on our interviews with human resources directors from across the federal government and our previous human capital work, we also reported on six key practices that agencies should implement to use human capital flexibilities effectively. Figure 1 identifies these key practices.

Figure 1: Key Practices for Effective Use of Human Capital Flexibilities

Plan strategically and make targeted investments	<ul style="list-style-type: none">● Obtain agency leadership commitment● Determine agency workforce needs using fact-based analysis● Develop strategies that employ appropriate flexibilities to meet workforce needs● Make appropriate funding available
Ensure stakeholder input in developing policies and procedures	<ul style="list-style-type: none">● Engage the human capital office● Engage agency managers and supervisors● Involve employees and unions● Use input to establish clear, documented, and transparent policies and procedures
Educate managers and employees on the availability and use of flexibilities	<ul style="list-style-type: none">● Train human capital staff● Educate agency managers and supervisors on existence and use of flexibilities● Inform employees of procedures and rights
Streamline and improve administrative processes	<ul style="list-style-type: none">● Ascertain the source of existing requirements● Reevaluate administrative approval processes for greater efficiency● Replicate proven successes of others
Build transparency and accountability into the system	<ul style="list-style-type: none">● Delegate authority to use flexibilities to appropriate levels within the agency● Hold managers and supervisors directly accountable● Apply policies and procedures consistently
Change the organizational culture	<ul style="list-style-type: none">● Ensure involvement of senior human capital managers in key decision-making processes● Encourage greater acceptance of prudent risk taking and organizational change● Recognize differences in individual job performance and competencies

Source: GAO.

Lastly, also in our December 2002 report, we noted that agency and union officials identified several significant reasons why agencies have not made greater use of the human capital flexibilities that are available to them. These reported barriers that have hampered agencies in maximizing their use of available flexibilities included: agencies' weak strategic human capital planning and inadequate funding for using these flexibilities given competing priorities; managers' and supervisors' lack of awareness and knowledge of the flexibilities; managers' and supervisors' belief that approval processes to use specific flexibilities are often burdensome and time-consuming; and managers' and supervisors' concerns that employees will view the use of various flexibilities as inherently unfair, particularly given the common belief that all employees must be treated essentially the same regardless of job performance and agency needs.

As noted in our report, the recently enacted Homeland Security Act of 2002 provided agencies with a number of additional flexibilities relating to governmentwide human capital management. For example, agencies will now be permitted to offer buyouts to their employees without the requirement to reduce their overall number of employees. The legislation also permits agencies to use a more flexible approach in the rating and ranking of job candidates (categorical rating) during the hiring and staffing process. The Act also created chief human capital officer (CHCO) positions for the largest federal departments and agencies, an interagency CHCO Council, and a requirement that agencies discuss their human capital approaches in their annual performance plans and reports under the Government Performance and Results Act.

OPM Has Taken Several Actions to Assist Agencies in Using Flexibilities

OPM deems that its role related to human capital flexibilities is broader than merely articulating policies that federal agencies use in managing their workforces. OPM sees that it has an important leadership role in identifying, developing, and applying human capital flexibilities across the federal government. As such, OPM has several initiatives underway with the goal of assisting federal agencies in using available flexibilities and identifying additional flexibilities that might be beneficial for agencies.

OPM Has Initiatives to Assist Agencies in Using Available Flexibilities

One of OPM's primary functions related to assisting agencies in the use of human capital flexibilities is to serve as a clearinghouse for information through a variety of sources, including its Web site. For example, OPM prepared and posted on its Web site a handbook on personnel flexibilities generally available to federal agencies. This handbook, *Human Resources Flexibilities and Authorities in the Federal Government*, describes the flexibilities that agencies can use to manage their human capital challenges and provides information about the statutory and regulatory authorities for the specific flexibilities. OPM has also established Web-based clearinghouses of information on best practices in two areas of human resources management: employee performance management and accountability. OPM said that it has received positive feedback on these two Web-based clearinghouses and that many of OPM's customers have said that the information has been useful to them in researching information and when redesigning human resources-related programs.

OPM is also developing a Preferred Practices Guide that it said would highlight efficient and effective hiring practices using existing hiring

flexibilities. To assist in developing this guide, OPM in July 2002 asked federal human resources directors to share information with OPM about their improved results in areas related to hiring by using newly developed practices, strategies, and methods that could assist other agencies in addressing similar challenges. According to OPM, the contents of this Web-based document will likely parallel the steps of the federal hiring process and encompass areas such as workforce planning, recruitment, assessment, and retention. The guide is also expected to include actual examples of agency hiring practices, such as the Emerging Leaders Program, a 2-year career development intern program created by the Department of Health and Human Services, and the Recruitment “Timely Feedback” Executive Tool, a monthly reporting and accountability system for gauging progress on recruiting initiatives that was established at the Social Security Administration. This Preferred Practices Guide, which OPM plans to post on its Web site in early 2003, would complement other ongoing OPM hiring-related efforts to encourage agencies to (1) provide interested persons with timely and informed responses to questions about the federal recruiting process, (2) develop clear and understandable job announcements, and (3) provide job applicants with regular updates on the status of their applications as significant decisions are reached.

OPM has also issued a report entitled *Demonstration Projects and Alternative Personnel Systems: HR Flexibilities and Lessons Learned*, which contains lessons learned about implementing change to improve federal human capital management. According to OPM, these lessons learned are based on the testing of several personnel flexibilities in a wide variety of demonstration projects and alternative personnel systems at federal agencies over the past 20 years.¹² OPM said that agency officials from the various projects collaborated with OPM staff in developing the report. The lessons learned in OPM’s report are similar to the key practices that we recently reported on for effectively using human capital flexibilities.

OPM has also committed the assistance of its various experts to help agencies with human capital issues and challenges, including use of the various flexibilities available to agencies. OPM has established a human capital team of desk officers who serve as liaisons with agencies and who are to work closely with the agencies to help them in responding to the

¹²U.S. Office of Personnel Management, *Demonstration Projects and Alternative Personnel Systems: HR Flexibilities and Lessons Learned* (Washington, D.C.: 2001).

President's Management Agenda. For some agencies with less planning and actions on strategic human capital management, these desk officers provide coaching and assistance and establish contacts with OPM's program office experts. OPM said that when working with their assigned agency representatives, the desk officers take full advantage of all available OPM resources, including clearinghouse information, to help agencies identify available flexibilities. For example, OPM said that its desk officer for the Department of Education fielded an inquiry that led to on-site assistance in the planning and implementation of a demonstration project for that department.

OPM has also formed "strike force teams," created on an ad hoc basis, to provide expedited service to agencies with critical, time-sensitive human capital needs. These strike force teams are to serve a single focal point through which agencies can get assistance and advice on a wide range of topics and issues, including the implementation of human capital flexibilities. OPM has created strike force teams for several agencies, including the Department of Housing and Urban Development, the Department of Justice (DOJ), and the Transportation Security Administration. For example, at the request of the Assistant Attorney General, a strike force team worked with DOJ human resources staff to develop and present a briefing on human resource flexibilities for DOJ political appointees. OPM is also working jointly with the new Department of Homeland Security to prescribe regulations for the department's human resources management system.

OPM also holds conferences, training sessions, and other meetings to share information with agency officials, including material on the availability of flexibilities. For example, OPM conducts an annual conference to provide federal managers and human resources practitioners with updates and other information about the federal compensation environment, including topics such as pay and leave administration, performance management, position classification, and efforts to improve the compensation tools available to support agency missions. As an example of its training function, OPM, in collaboration with OMB, presented a half day of training on personnel authorities available to agencies as part of transition training for new political appointees. OPM said that it also held one-on-one meetings with more than 30 agencies to discuss telework, learn about agency initiatives in this area, and find out how OPM can assist agencies in expanding telework opportunities.

In addition, OPM has realigned its own organizational structure and workforce. OPM's goal was to create a new, flexible structure that will "de-stovepipe" the agency; enable it to be more responsive to its primary customers, federal departments and agencies; and allow it to focus on the agency's core mission. For example, OPM has decided to put its various program development offices under the control of one associate director and its product and services functions under another associate director to ensure that it appropriately and efficiently responds to its customers. Effective implementation of OPM's latest organizational and workforce realignment will be crucial to maximizing its performance as the federal government's human capital leader, assuring its own and other agencies' accountability, and ultimately achieving its goals.

OPM Also Has Some Initiatives to Assist in Identifying Additional Flexibilities

OPM has furthermore initiated some efforts to assist agencies in identifying additional flexibilities that might be effective in helping the agencies manage their workforces. For example, OPM said that it has actively supported passage of proposed legislation that would enhance human capital flexibilities and provide more latitude for flexible implementing regulations. OPM told us, for example, that it developed and drafted a significant portion of the proposed Managerial Flexibility Act of 2001,¹³ a bill intended to give federal managers tools and flexibility in areas such as personnel, budgeting, and property management and disposal. This proposed legislation did not pass the 107th Congress, although several related provisions were included in the recently enacted Homeland Security Act of 2002. OPM officials told us that these legislative efforts should serve as evidence that OPM can and does identify areas where changes to statute would provide more flexibility to agencies. Moreover, one component of the proposed legislation, which was not enacted, includes streamlining the process for implementing demonstration projects and creating a mechanism to export tested innovations to other federal organizations. OPM believes that to get a better return on investment from years of demonstration project evaluations, a method should exist—short of separate legislation—for converting successfully tested alternative systems and flexibilities to permanent programs and for making them available to other agencies.

¹³S. 1612, 107th Cong., 1st sess.

OPM has taken other actions to assist agencies in identifying additional flexibilities that they could use to manage their workforces. For example, in its *HR Flexibilities and Lessons Learned* report, OPM identified personnel flexibilities that have been tested and evaluated through demonstration projects or alternative personnel systems over the last 20 years. OPM said that during the development of the Managerial Flexibility Act, the President's Management Council requested information on existing flexibilities and that OPM created its report in response to that request in an effort to catalogue these flexibilities in one document. OPM said that some of the flexibilities catalogued in its report have been thoroughly tested over time in a variety of environments, while others have more limited agency applicability and thus have more limited data to show their success. Some of these flexibilities outlined in the report correspond to the types of flexibilities that agency and union officials told us could be beneficial for their agencies, such as broadbanded pay systems, categorical rating for hiring, and expanded probationary periods for new employees.¹⁴

OPM recognizes that additional efforts are needed to address key personnel challenges within the federal workforce, particularly in the areas of pay and hiring. In April 2002, OPM released a report that presents the case for the need for reform of the white-collar federal pay system under which 1.2 million General Schedule federal employees are paid.¹⁵ Without recommending a specific solution, OPM's report stresses the importance of developing a contemporary pay system that is more flexible, market-sensitive, and performance-oriented as well as a better tool for improving strategic human capital management. Also, OPM said that in the coming months it will identify additional projects and proposals that will address systemic problems associated with the hiring process. These additional initiatives will include deploying competency-based qualifications, improving entry-level hiring, and updating and modernizing exam scoring policy. According to OPM officials, as it moves forward on these pay and hiring initiatives, OPM will assess what additional flexibilities and tools might be needed for agencies as they look for ways to better manage their workforces.

¹⁴GAO-03-2.

¹⁵U.S. Office of Personnel Management, *A Fresh Start for Federal Pay: The Case for Modernization* (Washington, D.C.: April 2002).

Agencies' Human Resources Directors Gave Mixed Views on OPM's Role Related to Flexibilities

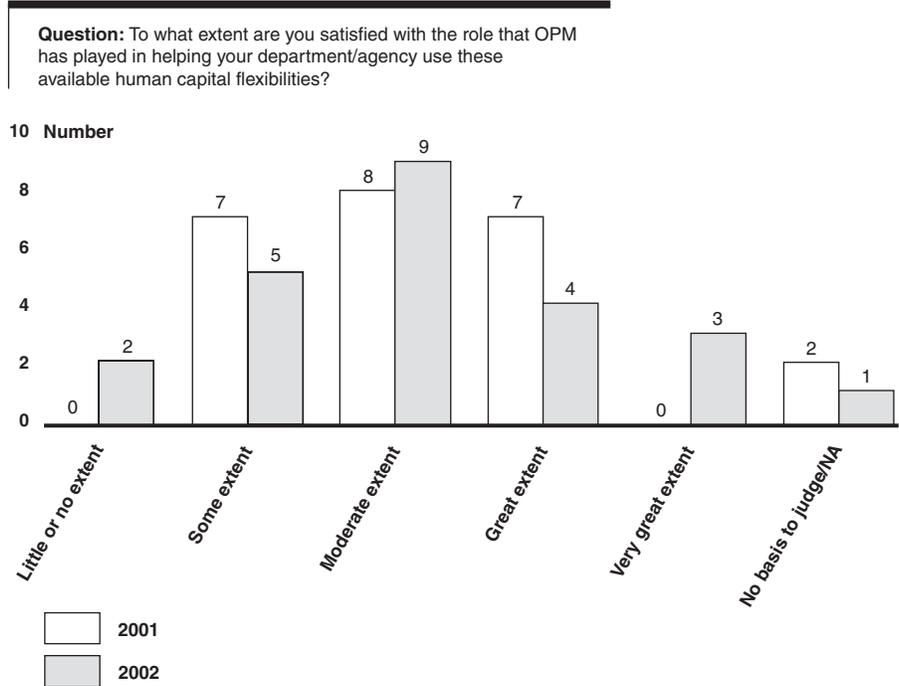
Although federal agencies have the primary responsibility to maximize their use of human capital flexibilities, OPM also plays a key role in facilitating agencies' use of existing flexibilities as well as identifying new personnel authorities that agencies might need in managing their workforces. The views of agencies' human resources directors can help to provide indications of the progress that OPM has made in its important role related to human capital flexibilities. We therefore surveyed the human resources directors for the 24 largest departments and agencies in the federal government to obtain their views on OPM's role related to flexibilities.

Directors' Views Varied on OPM's Role Related to Using Available Flexibilities

In the surveys we conducted in the fall of 2001 and again in the fall of 2002, the human resources directors for the largest departments and agencies gave mixed views on their satisfaction with OPM's role in assisting their agencies in using available human capital flexibilities. Figure 2 depicts the directors' responses on this issue for both 2001 and 2002.¹⁶ In 2002, 7 of the 24 responding directors said that they were satisfied to "little or no" or "some" extent regarding OPM's role in assisting their agencies in using available flexibilities. Conversely, 7 of the 24 responding directors in 2002 said that they were satisfied to a "great" or "very great" extent with OPM's role in assisting their agencies with available flexibilities. Overall for 2002 on this issue, the average satisfaction level of the human resource directors was unchanged between 2001 and 2002. Specifically, for 2002 our survey showed that for five agencies, the director's level of satisfaction was greater than the level of satisfaction for that agency's human resources director from the previous year; for five agencies, the directors' level of satisfaction was less than the level of satisfaction for that agency's human resources director from the previous year.

¹⁶During the period between the 2001 and 2002 surveys, 16 of the 24 individuals serving in the positions of human resources directors had changed.

Figure 2: Human Resources Directors' Extent of Satisfaction with OPM's Role in Helping Their Agencies Use Available Human Capital Flexibilities (Fall 2001 and Fall 2002)



Source: Federal human resources directors' responses to GAO questionnaire.

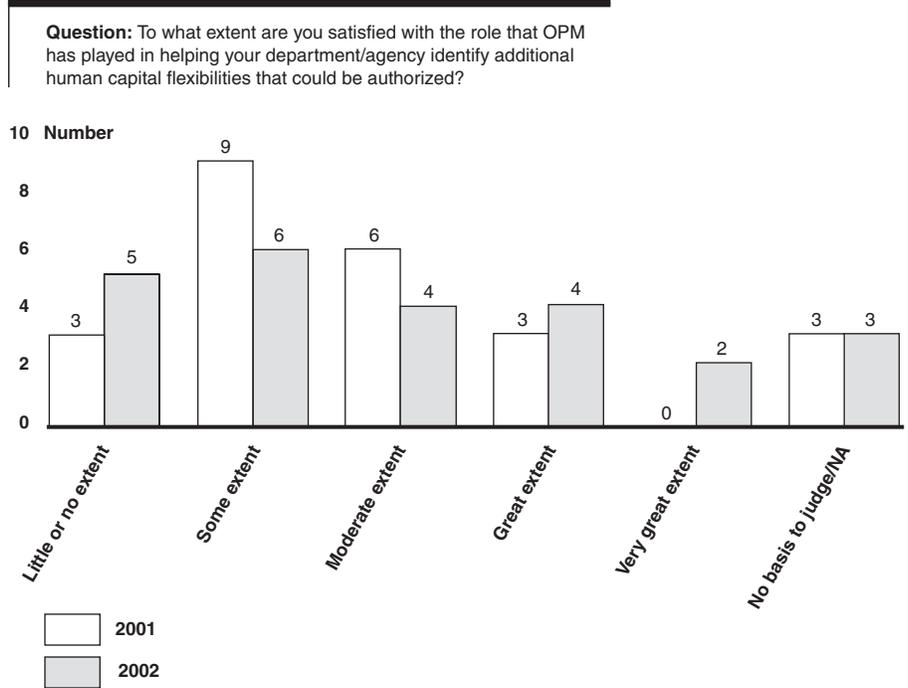
In our interviews with the human resources directors regarding the issue of OPM's role in assisting agencies in the use of available flexibilities, several of the directors said that OPM communicates well with agencies through e-mails, meetings, workgroups, and its Web site and has taken some action to disseminate information about existing flexibilities. One director, for example, commended OPM for effectively using its Web site to share information about what flexibilities are generally available to agencies. Another director praised OPM for the positive actions it had taken with respect to facilitating work-life programs for federal employees. However, directors frequently commented that OPM often puts its own restrictive interpretation on the use of flexibilities, surrounding them with too many regulations that can make their use unduly complicated and more difficult; regulations and guidance on implementing the Federal Career Intern Program were mentioned frequently in this regard, for example. Several directors argued that their agencies should be able to implement human capital flexibilities in the most flexible fashion, not the most restrictive.

One director expressed the opinion that, although the upper management of OPM may support using flexibilities, middle management and lower-level staff within the agency seemed resistant to change and sometimes hampered the efforts of agencies in the use of flexibilities. This director wanted to see OPM play a more facilitative and consultative role, working in concert with agencies. In addition, directors from several agencies stated that OPM needs to host additional forums to share experiences on the use of existing human capital flexibilities, with OPM more fully serving as a clearinghouse in making flexibilities and effective practices more widely known to agencies.

Directors Were Somewhat Less Satisfied with OPM's Role Related to Identifying Additional Flexibilities

While the human resources directors we surveyed gave mixed views on their satisfaction with OPM's role related to available flexibilities, the directors were less satisfied with OPM's role in assisting agencies in identifying additional human capital flexibilities that could be authorized. However, the directors' extent of satisfaction on this issue, as measured in our survey, was greater in 2002 than in 2001. Figure 3 depicts the directors' responses on this issue for both 2001 and 2002. In 2002, 11 of the 24 responding directors said that they were satisfied to "little or no" or "some" extent regarding OPM's role in identifying additional flexibilities that could be authorized for agencies. Conversely, 6 of the 24 responding directors said that they were satisfied to a "great" or "very great" extent regarding OPM's role in identifying additional flexibilities. For seven agencies, the director's level of satisfaction was greater in 2002 than the level of satisfaction for that agency's human resources director from the previous year; for four agencies, the director's level of satisfaction was less than the level of satisfaction for that agency's human resources director from the previous year.

Figure 3: Human Resources Directors' Extent of Satisfaction with OPM's Role in Helping Their Agencies Identify Additional Human Capital Flexibilities That Could Be Authorized (Fall 2001 and Fall 2002)



Source: Federal human resources directors' responses to GAO questionnaire.

One human resources director we interviewed said, for example, that OPM has done a commendable job of listening to agencies' concerns about the need for additional flexibilities, particularly through the Human Resources Management Council, an interagency organization of federal human resources directors.¹⁷ However, several directors said that OPM needs to play a more active role in identifying flexibilities that agencies might use to manage their workforces. Several human resources directors said that OPM should be doing more to conduct or coordinate personnel management research on additional flexibilities that might prove effective for agencies to use in managing their workforces. Several of these directors also told us that OPM should work more diligently to support

¹⁷The recently enacted Homeland Security Act of 2002 establishes an Interagency Chief Human Capital Officer Council, which could replace the Human Resources Management Council.

efforts in authorizing and implementing governmentwide those innovative human capital practices and flexibilities that have been sufficiently tested and deemed to be successful, such as those tested in OPM-sponsored personnel demonstration projects.

According to many of the human resources directors we interviewed, OPM needs to play a larger role in acting as a change agent to get human capital legislation passed and implemented. While recognizing that OPM cannot promote legislation that is inconsistent with the administration's views of the civil service, human resources directors said that OPM should be the policy leader in the area of human capital and, as the leader, should push harder for major civil service reform. In the human resources directors' opinions, OPM needs to look at personnel reforms in a new, open, and objective way and develop changes to current laws and regulations to ensure that agencies can effectively obtain and manage their workforces. In addition, some directors expressed frustration about the lack of coordination between OPM and OMB in responding to OMB's request for agencies to complete workforce planning and restructuring analyses.¹⁸ Further, they said that OPM, OMB, and Congress need better communication and coordination in developing budgets and recognizing the costs involved in using human capital flexibilities.

Additional OPM Actions Could Further Facilitate Agencies' Use of Flexibilities

Assisting federal agencies in using available flexibilities and in identifying additional flexibilities is an important part of OPM's overall goal of aiding agencies in adopting human resources management systems that improve their ability to build successful, high-performance organizations. In testimony before Congress in February of 2001, we suggested two areas in which OPM could make substantial additional contributions in addressing the federal government's human capital challenges.¹⁹ The first was in reviewing existing OPM regulations and guidance to determine their continued relevance and utility by asking whether they provide agencies with the flexibilities they need while incorporating protections for employees. The second area was in making existing human capital flexibilities and effective practices more widely known to the agencies, and in taking fullest advantage of OPM's ability to facilitate information-sharing

¹⁸This requirement for workforce planning and restructuring analyses is contained in OMB Bulletin No. 01-07, dated May 8, 2001.

¹⁹[GAO-01-357T](#).

and outreach to human capital managers throughout the federal government. Although OPM has taken concerted action in some areas to assist agencies in using flexibilities, OPM has taken limited actions related to these two areas. Moreover, OPM could do more to assist agencies in identifying additional human capital flexibilities that could be authorized and also be actively working to build consensus to support related legislation that might be needed. Greater attention to these areas could allow OPM to more fully fulfill its leadership role to assist agencies in identifying, developing, and applying human capital flexibilities across the federal government. As we noted in the previous testimony, as OPM continues to move from “rules to tools,” its more valuable contributions in the future will come less from traditional compliance activities than from its initiatives as a strategic partner to agencies.

OPM’s Review of Regulations Could Provide Opportunity to Give Additional Flexibility to Agencies

Just as agencies need to streamline and improve their own internal administrative processes to effectively use flexibilities, OPM similarly needs to ensure that its regulations and guidance provide adequate flexibility while also recognizing the importance of ensuring fairness and incorporating employee protections. As we noted in our December 2002 report, if senior managers within agencies want supervisors to make effective use of flexibilities, supervisors must view agencies’ internal processes to use the flexibility worth their time compared to the expected benefit to be gained in implementing the flexibility. Similarly, if OPM wants agencies to make effective use of flexibilities, agencies must view OPM’s regulatory requirements for using the flexibility worth the expected benefits that the flexibility would provide.

In comments that it provided in response to our December 2002 report, OPM said that it is undertaking a review of its regulations and guidance. According to OPM, the purpose of this regulatory review, which began in December 2001, is to restate regulations in plainer language wherever possible to eliminate redundant or obsolete material and to revise regulations to make them more easily usable by a variety of readers. OPM said that because it has focused chiefly on making the regulations as readable as possible, rather than making substantive changes, the agency did not anticipate making changes to provide additional flexibility as part of this effort. OPM said that its Office of General Counsel, which is leading the regulatory review, has been carrying it out by working with OPM’s program offices to establish basic protocols, selecting provisions that require elimination or redrafting, soliciting drafts from the offices, and then reviewing and revising these drafts in conjunction with the OPM program

staff. OPM said that it amends its regulations to provide flexibility, on an as-needed basis, in the ordinary course of carrying out the OPM Director's policies.

In response to our request for examples of regulations that it has redrafted under this effort, OPM said it was reviewing all of the regulations in chapter I of Title 5 of the U.S. Code of Federal Regulations but that it was not yet in a position to supply examples because it had recently begun to submit some of the redrafted material to OMB for clearance. Nonetheless, a report we recently issued included an example of where OPM revised regulations to, at least in part, provide additional flexibility to agencies.²⁰ In the fall of 2000, OPM amended regulations on evaluating the job performance of senior executives within the federal government. OPM's goal in developing these regulations was to help agencies hold their senior executives accountable by increasing agency flexibility, focusing on results, emphasizing accountability, and improving links between pay and performance. These changes were to balance the agencies' desire for maximum flexibility with the need for a corporate approach that safeguards merit principles. OPM's changes to the regulations included paring back many of the previous requirements to those in statute to give agencies more flexibility to tailor their performance management systems to their unique mission requirements and organizational cultures. OPM made these regulatory changes in part because performance management systems have tended to focus on process over results.

Because providing additional flexibility has not been a fundamental purpose of its current regulatory review, OPM is not taking advantage of a crucial opportunity to provide additional flexibility, where appropriate, on a systematic basis rather than through a piece-meal, ad hoc approach. Human resources directors we interviewed often said that OPM should provide agencies with greater delegation to carry out their human capital programs. For example, some directors commented that agencies should be able to waive the annuity offsets for reemployed annuitants without authority by OPM.²¹ Some directors also told us that OPM should allow

²⁰U.S. General Accounting Office, *Results-Oriented Cultures: Using Balanced Expectations to Manage Senior Executive Performance*, GAO-02-966 (Washington, D.C.: Sept. 27, 2002).

²¹Unless waived by OPM or an agency pursuant to a grant of authority by OPM, an amount equal to the annuity will be deducted from the reemployed annuitant's salary when the federal civilian retiree is reemployed. See 5 U.S.C. 8344 and 8468 and 5 CFR part 553.

agencies to extend the probationary periods for newly hired employees beyond the standard 1-year period.²² Directors also said that OPM's guidance for implementing human capital programs could sometimes be overly restrictive and burdensome. For example, some directors said that OPM's internal approval and evaluation processes for personnel demonstration projects needed to be streamlined to make the program more practical.²³ One director told us, for instance, that her agency had considered applying as a demonstration project but demurred because officials at her agency viewed OPM's requirements as too burdensome.

It is important to note that human resources directors we interviewed also expressed interest in gaining increased flexibilities that would require changes in federal statute and thus are outside of OPM's authority to change independently. Directors commented on such areas as decreasing some of the limitations and parameters of allowable personnel demonstration projects. As we noted in recent testimony, OMB and the Congress have key roles in improving human capital management governmentwide, including the important responsibility of determining the scope and appropriateness of additional human capital flexibilities agencies may seek through legislation.²⁴ In recent testimony on using strategic human capital management to drive transformational change, we noted the potential benefits of providing additional flexibility in the government's personnel systems by suggesting, for example, that the Congress may wish to explore the benefits of allowing agencies to apply to OPM on a case-by-case basis (i.e., case exemptions) for authority to establish more flexible pay systems for certain critical occupations or, even more broadly, allowing OPM to grant governmentwide authority for all agencies (i.e., class exemptions) to use more flexible pay systems for their critical occupations.²⁵

²²See 5 CFR 315, Subpart H.

²³Guidance on developing, implementing, and evaluating an OPM-sponsored personnel demonstration project can be found in OPM's *Demonstration Projects Handbook* and OPM's *Demonstration Projects Evaluation Handbook*.

²⁴U.S. General Accounting Office, *Human Capital: Meeting the Governmentwide High-Risk Challenge*, [GAO-01-357T](#) (Washington, D.C.: Feb. 1, 2001).

²⁵U.S. General Accounting Office, *Managing For Results: Using Strategic Human Capital Management to Drive Transformational Change*, [GAO-02-940T](#) (Washington, D.C.: July 15, 2002).

A More Comprehensive Clearinghouse and Increased Information Sharing about Flexibilities Could Better Assist Agencies

In our December 2002 report on human capital flexibilities, we noted that one of the key factors for effectively using flexibilities is educating agency managers and employees on the availability of these flexibilities as well as about the situations where the use of those flexibilities is most appropriate. Ultimately the flexibilities within the personnel system are only beneficial if the managers and supervisors who would carry them out are aware of not only their existence but also the best manner in which they could be used. With a comprehensive clearinghouse and broad information sharing about flexibilities, OPM can greatly assist agencies in educating their managers and supervisors as well as preparing their human capital managers for their consultative role regarding the best manner in which the full range of flexibilities should be implemented.²⁶ This information would also be useful to support OPM's oversight of agencies' use of personnel flexibilities.

OPM has not, however, fully maximized its efforts to make human capital flexibilities and effective practices more widely known to agencies. Although OPM has made efforts to inform agencies of what flexibilities are generally available and why their use is important, OPM has yet to take full advantage of its ability to compile, analyze, and distribute information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs. Human resources directors we interviewed frequently brought up that OPM needs to take further determined action on this issue. One human resources director said, for example, that OPM should be setting benchmarks and identifying best practices for using flexibilities. Another director added that OPM should provide agencies with different scenarios of how flexibilities can be used. Another director commented that OPM needs to develop more educational and training aids to inform agency officials about these best practices. Yet another director added that OPM should evaluate the effectiveness of many different flexibilities and share the results with other agencies.

OPM officials told us that they do not generally know which federal agencies have done effective jobs in using specific flexibilities nor which practices these agencies employed to produce effective results. OPM could

²⁶We discussed agency actions to shift their human capital offices from primarily compliance activities to consulting activities in our report: *Human Capital: Selected Agency Actions to Integrate Human Capital Approaches to Attain Mission Results* (GAO-03-446, April 2003).

use its outreach and information-sharing efforts to more thoroughly identify which federal agencies are specifically using the various flexibilities in effective ways and reporting on the particular practices that these agencies are using to implement their flexibilities. Examination of information from OPM's database of federal civilian employees, the Central Personnel Data File, could help OPM in such analysis, including identifying possible correlations between an agency's use of flexibilities and factors such as employees' occupations, grade levels, and duty stations. This compilation, analysis, and distribution of information could also include research OPM conducts or sponsors that may shed light on effective practices for implementing existing flexibilities.

OPM could also use this analysis of agencies' use of flexibilities in its oversight role. OPM's new Human Capital Assessment and Accountability Framework provides guidance for agencies to maximize their human capital management and is being used by OPM to evaluate agencies' progress. For example, under one of the framework's six standards for success,²⁷ key questions to consider include the following:

- Does the agency use flexible compensation strategies to attract and retain quality employees who possess mission-critical competencies?
- Does the agency provide work/life flexibilities, facilities, services, and programs to make the agency an attractive place to work?

The information gathered on personnel flexibilities could assist OPM in its assessment of this standard. In addition, OPM has the responsibility to not only review whether agencies are maximizing the use of personnel flexibilities, but also, along with agencies, ensure that flexibilities are being used fairly and are consistent with the merit principles and other national goals and include appropriate safeguards.

²⁷The six human capital standards for success in OPM's Human Capital Assessment and Accountability Framework are strategic alignment, workforce planning and deployment, leadership and knowledge management, results-oriented performance culture, talent, and accountability.

Additional Efforts to Identify New Flexibilities Needed

The human resource directors we interviewed said that OPM could do more to assist agencies in identifying additional human capital flexibilities that could be authorized. The information gathered on agencies' use of flexibilities could also be used to gain greater insight into agencies' needs related to additional flexibilities that might be helpful for agencies' management of their human capital. In our discussions with OPM about its efforts in assisting agencies with flexibilities, OPM officials told us that it was not feasible to identify or track all agency requests for additional flexibilities because such requests are received throughout the organization and range from casual questions to formal requests for exceptions or demonstration projects. Tracking such requests, however, could assist OPM in gaining a clearer picture of agency concerns and requests for additional tools and flexibilities as well as more comprehensively documenting agency needs for the benefit of policymakers as statutory and regulatory changes are proposed and considered. The recently legislated Chief Human Capital Officers Council, chaired by the OPM Director, could also aid in disseminating information about effective human capital practices. We have reported that the use of the similar interagency councils of chief financial officers and chief information officers to, among other things, share information about effective practices, was one of the major positive public management developments over the past decade.²⁸

Once OPM determines that additional flexibilities are needed, it could actively work to build consensus to support needed legislation. As noted earlier, OPM actively supported legislation in the last Congress to authorize additional flexibilities to agencies. Specifically, OPM drafted and supported a significant portion of the proposed Managerial Flexibility Act of 2001. OPM could continue to support such legislation and identify additional personnel flexibilities that are needed.

Conclusions

The ineffective use of flexibilities can significantly hinder the ability of federal agencies to recruit, hire, retain, and manage their human capital. To deal with their human capital challenges, it is important for agencies to assess and determine which human capital flexibilities are the most appropriate and effective for managing their workforces. As we previously

²⁸U.S. General Accounting Office, *Government Management: Observations on OMB's Management Leadership Efforts*, GAO/T-GGD/AIMD-99-65 (Washington, D.C.: Feb. 4, 1999).

reported, to ensure more effective use of human capital flexibilities, it is important that agencies (1) plan strategically and make targeted investments, (2) ensure stakeholder input in developing policies and procedures, (3) educate managers and employees on the availability and use of flexibilities, (4) streamline and improve administrative processes, (5) build accountability into their systems, and (6) change their organizational cultures. By more effectively using flexibilities, agencies would be in a better position to manage their workforces, assure accountability, and transform their cultures to address current and emerging demands.

OPM provides the necessary link to agencies to accomplish their goals by making existing human capital flexibilities more widely known and easier to use and by identifying additional flexibilities that can help agencies better manage their workforces. While it has taken some actions to inform agencies about what flexibilities are generally available and why their use is important, OPM has significant opportunities to strengthen its role as it moves forward to assist agencies as an integral part of the administration's human capital transformation efforts. By taking hold of these opportunities, OPM could more successfully aid agencies with more comprehensive information about the tools and authorities available to them for managing their workforce and the most effective ways that these flexibilities can be implemented. The new CHCO Council could be an excellent vehicle to assist in these areas.

Recommendations for Executive Action

Given the importance of the effective use of flexibilities as a critical part of improved human capital management within the federal government and consistent with OPM's ongoing efforts in this regard, we recommend that the Director of OPM take the following actions.

- Review existing OPM regulations and guidance to determine whether they provide agencies with needed flexibility while also incorporating protection for employees.
- Work with and through the new Chief Human Capital Officers Council to more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities and more fully serve as a clearinghouse in sharing and distributing information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs.

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- Continue to identify additional personnel flexibilities needed to better manage the federal workforce and then develop and build consensus for needed legislation.

Agency Comments

OPM commented on a draft of this report and agreed with the conclusions and recommendations. OPM pointed out that in future studies that address OPM leadership issues, in addition to surveying agency human resource directors, we should also survey agency chief operating officers. OPM believed that the chief operating officers have the “best perspective and the widest array of information about recruitment and retention issues.” We agree that such future studies would benefit from the perspectives of chief operating officers. OPM’s complete comments are shown in appendix II.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies to the Chairman, Senate Committee on Governmental Affairs, and the Chairman and Ranking Minority Member, House Committee on Government Reform, and other interested congressional parties. We will also send copies to the Director of OPM. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact me on (202) 512-6806. Key contributors to this report are listed in appendix III.



J. Christopher Mihm
Director, Strategic Issues

Objectives, Scope, and Methodology

This report is the second of two reports responding to a request from the Senate Committee on Governmental Affairs and two of its subcommittees regarding the use of human capital flexibilities in managing agency workforces. The objectives of our first report, issued in December 2002, were to provide information on (1) actions that federal agencies can take to more effectively implement human capital flexibilities and (2) agency and union officials' views related to the use of human capital flexibilities.¹ The objectives of this report were to provide information on actions that the Office of Personnel Management (OPM) has taken to facilitate the effective use of human capital flexibilities throughout the federal government as well as what additional actions OPM might take in this regard. Our work in responding to this request was conducted in two phases. Phase one of our work primarily involved surveying and interviewing the human resources directors from the 24 largest departments and agencies. Phase two of our work involved conducting semi-structured interviews with managers and supervisors, human resources officials, and local union representatives from seven federal agencies we selected for more detailed review.² This report was developed primarily from our work during phase one.

To respond to the objectives of this report, we gathered information from a variety of sources using several different data collection techniques. During phase one of our work, we interviewed representatives from OPM, the federal government's human resources agency; Merit Systems Protection Board, a federal agency that hears and decides civil service cases, reviews OPM regulations, and conducts studies of the federal government's merit systems; and the National Academy of Public Administration, an independent, nonpartisan, nonprofit, congressionally chartered organization that assists federal, state, and local governments in improving their performance. We interviewed representatives of these three organizations to gather background information on the federal government's experiences with and use of human capital flexibilities and OPM's role in assisting agencies in their use of personnel flexibilities. We also reviewed numerous reports issued by these organizations on governmentwide human capital issues, the use of various human capital

¹U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

² The seven agencies were the Department of the Air Force, General Services Administration, Internal Revenue Service, International Trade Administration, U.S. Mint, Department of State, and Veterans Benefits Administration.

flexibilities in federal agencies, and the role of OPM. In addition, we reviewed previous GAO reports on a broad range of human capital issues.

In the fall of 2001, we also gathered information for our objectives by conducting semistructured interviews with the human resources directors of the 24 largest federal departments and agencies. To produce a general summary of the human resources directors' views, we first reviewed their responses to the open-ended questions we had posed to them. Based on our analysis of those responses, we identified a set of recurring themes and then classified each director's responses in accord with these recurring themes. At least two staff reviewers collectively coded the responses from each of the 24 interviews and the coding was verified when entered into a database we created for our analysis. In addition, prior to our interviews with the 24 human resources directors, each of the 24 officials completed a survey of seven closed-ended questions dealing with agencies' use of human capital flexibilities, OPM's role related to these flexibilities, and the federal hiring process.

To update this information, we resurveyed the 24 individuals serving in the agencies' human resources director positions in the fall of 2002, asking the same seven questions. During the period between the 2001 and 2002 surveys, 16 of the 24 individuals serving in the positions of human resources directors had changed. Table 1 shows the questions from these surveys along with a summary of the answers provided. For each item, respondents were to indicate the strength of their perception on a 5-point scale, from "little or no extent" to "very great extent."

Our audit work on both phases of our review was done from May 2001 through November 2002. We conducted our audit work in accordance with generally accepted government auditing standards.

**Appendix I
Objectives, Scope, and Methodology**

Table 1: Human Resources Directors' Responses to GAO Questionnaire on Human Capital Flexibilities (Fall 2001 and Fall 2002)

		Little or no extent	Some extent	Moderate extent	Great extent	Very great extent	No basis to judge/NA
1. To what extent are managers and supervisors within your department/agency aware of the human capital flexibilities available to them?	Fall 2001	1	2	14	7	0	0
	Fall 2002	0	1	13	10	0	0
2. To what extent has the U.S. Office of Personnel Management (OPM) assisted your department/agency in using human capital flexibilities that are <i>already available</i> to your department/agency?	Fall 2001	1	5	9	6	3	0
	Fall 2002	2	6	9	4	3	0
3. To what extent are you satisfied with the role that OPM has played in helping your department/agency use these <i>available</i> human capital flexibilities?	Fall 2001	0	7	8	7	0	2
	Fall 2002	2	5	9	4	3	1
4. To what extent has OPM assisted your department/agency in identifying <i>additional</i> human capital flexibilities that could be authorized?	Fall 2001	4	10	4	3	0	3
	Fall 2002	4	9	5	3	1	2
5. To what extent are you satisfied with the role that OPM has played in helping your department/agency identify <i>additional</i> human capital flexibilities that could be authorized?	Fall 2001	3	9	6	3	0	3
	Fall 2002	5	6	4	4	2	3
6. To what extent is the time needed to fill a position, or "hiring time," a problem within your department/agency?	Fall 2001	0	2	7	13	2	0
	Fall 2002	0	3	8	10	3	0
		Greatly hindered	Somewhat hindered	Neither helped nor hindered	Somewhat helped	Greatly helped	No basis to judge/NA
7. Overall, would you say that OPM has helped or hindered the hiring process in your department/agency?	Fall 2001	0	5	5	11	2	1
	Fall 2002	2	2	9	7	3	1

Source: GAO survey data.

Note: For the Fall 2001 and Fall 2002 surveys, N=24.

Comments from the Office of Personnel Management



OFFICE OF THE DIRECTOR

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-1000

April 24, 2003

Mr. J. Christopher Mihm
Director, Strategic Issues
General Accounting Office
Washington DC 20548

Dear Mr. Mihm:

Thank you for the opportunity to comment on the General Accounting Office (GAO) draft report *OPM Can Better Assist Agencies in Using Personnel Flexibilities*. (GAO-03-428)

Before commenting more specifically on the contents of the report, I want to bring to your attention one aspect of the fundamental methodology you employed in exploring how well the Office of Personnel Management (OPM) has been assisting agencies. We have found that agency human resources directors are an energetic and important source of expertise on the human resources operations and opportunities facing their agencies. We have also found that agency chief operating officers, the individuals primarily responsible for implementing the President's Management Agenda, as well as conducting the overall administration of their organizations, often have the best perspective and the widest array of information about recruitment and retention issues across their agencies. For that reason, I urge you to poll their perceptions in any future studies intended to address broad-based leadership issues.

Having said that, I do appreciate that the report acknowledges the considerable work we at OPM have done to exercise our leadership in promoting the appropriate use of human resources management flexibilities in federal agencies. It mentions, for example, that our web site offers a handbook on available flexibilities and provides a clearinghouse of information on best practices in performance management and accountability. The report also credits us with working to bring about additional flexibilities, citing our studies on the pay system and the hiring process, and our efforts to streamline the process for implementing demonstration projects and for expanding the use of flexibilities proven useful in those projects.

It should also be noted that the OPM web site provides numerous resources on the human resources management flexibilities available to agencies, such as in-depth guidance, fact sheets, frequently asked questions, and sample model agency plans. This guidance covers recruitment and relocation bonuses, retention allowances, the student loan repayment program, special salary rates, superior qualifications appointments and other pay-setting flexibilities, and alternative work schedules.

Still, the report calls on us to do more to determine how these flexibilities are being used and to disseminate information about their most effective use. We agree with GAO and

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Mr. J. Christopher Mihm

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believe that the initiatives we have taken, most importantly our reorganization, will lay the groundwork for more aggressive and productive efforts.

We are now restructured, with new leadership and a clear focus on helping agencies make the best use of their human capital. The newly formed Division for Human Capital Leadership and Merit Systems Accountability includes human capital officers, who have been coordinating closely with the Office of Management and Budget (OMB) over the past year, to help agencies develop strategic human capital management plans. Most of those agencies are now beginning to implement those plans, and we are ready to explore with agencies what personnel flexibilities work best for them and share our findings with agencies facing similar challenges. As we work with agencies to develop a more strategic approach to human capital management, they will be able to make a business case for additional flexibilities that can help them meet specific goals. OPM has encouraged and will continue to encourage agencies to use these business cases to align the use of human resources management flexibilities with their overall budget strategies.

OPM welcomes GAO's suggestion to "more thoroughly research, compile, and analyze information on the effective and innovative use of flexibilities." We are looking forward to combining our assessments of human resource flexibilities with the work of the Chief Human Capital Officers Council established under Title XIII of the Homeland Security Act of 2002. We will work closely with the new Council to promote the use of the additional flexibilities provided in the Act.

In addition, the President's budget for FY 2004 includes an additional \$2.5 million to expand and enhance our program evaluation efforts. Information from improved program evaluation will be applied to enhancing guidance on the use of flexibilities.

OPM also recognizes the need to communicate with agencies at all levels and will be focusing our field staff to promote and monitor agency efforts at the bureau and installation levels, ensuring that managers throughout the organization are aware of flexibilities and are using them appropriately. For example, OPM will soon be issuing its report to Congress on the agencies' use of the Federal student loan repayment program in Fiscal Year 2002. The report provides a comprehensive summary of how the student loan repayment program is being used and the extent to which the program has been successful in helping agencies achieve their recruitment and retention goals.

OPM recognizes that the federal personnel system must become more varied and flexible. We will continue reviewing the existing OPM regulations and guidance with a renewed focus on identifying useful changes, as well as exploring broader interpretations of regulations. OPM's newly formed Division for Strategic Human Resources Policy includes a human resources studies unit that will perform in-depth planning and analysis

Appendix II
Comments from the Office of Personnel
Management

Mr. J. Christopher Mihm

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to identify policy needs. At the same time it is critically important that OPM's regulations be clear, flexible, and relevant to agency needs and be interpreted in a way that provides needed assistance and flexibility for agencies' human capital management programs.

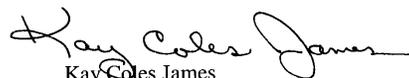
Additionally, OPM intends to continue identifying legislative options for additional flexibilities, as well as encourage efforts to bring about governmentwide authorization and implementation of innovative practices and flexibilities that have been sufficiently tested and considered successful. OPM was gratified to see one of the flexibilities that it has successfully tested through numerous demonstration projects, category grouping, enacted governmentwide through the recent Homeland Security Act of 2002, and will continue to champion the use of such successful personnel flexibilities. In addition to actively supporting passage of proposed legislation that would enhance flexibilities and provide more latitude, OPM will increase other legislative efforts.

OPM is also aware of the need to educate the agencies. GAO's report notes that human resources directors for two-thirds of the agencies contacted had changed during the period between the 2001 and the 2002 surveys. Armed with copies of the documents listed above, our outreach groups, strike forces, and human capital officers will seek opportunities to consult with these human resources directors and keep them abreast of available flexibilities. These OPM representatives will serve as liaisons to the agencies, facilitating the effective use of these personnel flexibilities. OPM will also assist agencies in identifying and developing additional flexibilities to help manage our greatest asset, human capital, in building successful, high-performance organizations.

GAO's report makes reference to an ongoing example of OPM's outreach efforts to educate agencies, i.e., the Department of Education. However, we would appreciate the opportunity to clarify Education's current initiatives and OPM's role in them as they are contained in the GAO report. We have been an active partner in the Department of Education's agency's comprehensive analysis of its workforce, personnel, and management issues in an effort to identify ways to improve its human capital system. While a demonstration project is one of the flexibilities under consideration, no project is currently being implemented at the Department of Education.

Finally, OPM appreciates your support for legislative remedies to buttress our efforts to expand the application of flexibilities that have proven to be successful in demonstration projects and to enhance the flexibilities provided for in the Homeland Security Act of 2002. We acknowledge GAO's vital interest in improving human capital management and continue to welcome your counsel.

Sincerely,


Kay Coles James
Director

GAO Contacts and Staff Acknowledgments

GAO Contacts

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